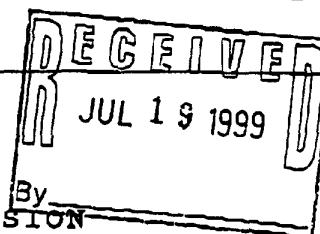


STATE OF MISSOURI

PUBLIC SERVICE COMMISSION



TRANSCRIPT OF PROCEEDINGS

Hearing

July 9, 1999
Jefferson City, Missouri
Volume 2

In the Matter of the Petition of)
Sprint Communications Company, L.P.,)
for Arbitration of Unresolved) Case No.
Interconnection Issues Regarding) TO-99-461
xDSL with Southwestern Bell Telephone)
Company.)

KEVIN A. THOMPSON, Presiding,
DEPUTY CHIEF REGULATORY JUDGE.
SHEILA LUMPE, Chairperson,
M. DIANNE DRAINER,
CONNIE MURRAY,
ROBERT G. SCHEMENAUER,
COMMISSIONERS.

FILED

REPORTED BY:

JUL 15 1999

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Missouri
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1 Q. So you've done some averaging in this
2 range to this range and here's an average amount of
3 time?

4 A. Basically that's what it is, is that we
5 have people who -- as we assign our people to go
6 out and do work every day, we assign them so many
7 jobs based on our knowledge of how long it should
8 take on average to do that job. And then as they
9 come back in at the end of the day and they turn in
10 their time reports, that effects our ongoing, you
11 know, numbers, for future reference.

12 CHAIR LUMPE: May I ask a question of
13 Ms. Swaller?

14 MS. SWALLER: Yes.

15 CHAIR LUMPE: I don't know if there's a
16 witness here, and I don't know if it's Mr. Deere,
17 you had mentioned something of the merger and some
18 of the conditions. Is there someone here that can
19 answer? Mr. Deere is?

20 THE WITNESS: I probably can.

21 MS. SWALLER: He participated somewhat in
22 the development of that package of FCC.

23 BY CHAIR LUMPE:

24 Q. Again, I'm reading summaries of testimony
25 on the potential settlement of the merger between

1 Ameritech and Southwestern Bell?

2 A. Yes, ma'am.

3 Q. And they mentioned in there a discount
4 rate that would be proposed, which is different
5 from the discount rate we have in Missouri. Can
6 you discuss that? Would it be appropriate to use
7 that discount rate if merger is suggested?

8 A. Well, for conditioning, I would highly
9 recommend the rate that they suggest, because it's
10 almost identical to what we came up with here. The
11 discount rate that, I think you're referring to
12 is --

13 Q. .32 percent or something?

14 A. Yes. What that is, that is a discount
15 rate for the loop itself when it is used to provide
16 advanced services to residential customers. In
17 other words, it's an effort to kick-start a lot of
18 companies into providing these advance services to
19 residences as opposed to businesses. So what you
20 have got there, there's several different discounts
21 that are mentioned there, but I think that's the
22 one you're talking about, is that if a CLEC comes
23 in and says, I promise that I'm going to use this
24 loop to serve a residential customer, then they get
25 -- you know, maybe we had a rate of \$10 for a loop

1 here. Then they would get a discount off of that
2 for using that loop strictly to serve additional
3 service to a residential customer.

4 However, there is also in there, though, a
5 conditioning charge if it's required, because this
6 is part of the discussions we had -- the company
7 had with the FCC is this whole idea of
8 conditioning. And so Appendix C, I believe it is
9 in the agreement, has an interim rate for
10 conditioning when it is required, and there's a
11 rate for bridge tap, removal of repeaters and load
12 coils. And because the FCC's interpretation of
13 what that paragraph means in there is the same as
14 ours. And so they recommend an interim rate for
15 the conditioning. And there is no discount on
16 that.

17 Q. And do we have anywhere in the testimony
18 what those rates are?

19 A. No. Because this testimony was done
20 before --

21 Q. Right.

22 A. Before that.

23 Q. Could you --

24 A. I happen to have a sheet (indicating).

25 Q. Would it be permissible for me to get that

1 information?

2 MS. SWALLER: Your Honor, I have available
3 to mark as an exhibit, because this is something
4 that just came up at the end of last week after we
5 had already filed testimony. Copies of that
6 Attachment C that I could introduce to this witness
7 because he does have the background.

8 MS. GARDNER: Judge, I really hesitate to
9 do this, because I certainly don't want to keep
10 information from the Commission, but we have never
11 been privy to these discussions. We obviously
12 didn't get a chance to respond to anything in
13 testimony with respect to this. I don't know what
14 the basis is for it. I don't know what it says.
15 Certainly it was something that may or may not have
16 been done between Southwestern Bell, Ameritech and
17 the FCC. I mean, it just seems to me that at this
18 point in the process, it's a little bit unfair to
19 not give us an opportunity to have time to look at
20 it and file rebuttal against it, if that's what
21 it's called for in it. It's just kind of late in
22 the process to be raising this.

23 MS. SWALLER: Your Honor, may I respond?

24 JUDGE THOMPSON: Of course you can.

25 MS. SWALLER: The terms and conditions of

1 the agreement between Ameritech, FCC and FCC staff
2 is on file with the FCC and was available to Sprint
3 really at the same time it was available to me. I
4 mean, it came out to the internal employees at the
5 same time it was filed. We are not seeking to
6 supplement our testimony. We are simply pointing
7 out a fact that, you know, this agreement has been
8 reached, and it's information that would be useful
9 to the Commission.

10 We're not trying to supplement our
11 testimony. We're not proposing those rates in this
12 case. We're simply pointing out that they exist.
13 And so we believe it would be somewhat helpful to
14 the Commission to be aware of that information.

15 JUDGE THOMPSON: Well, I believe we are
16 going to have a lunch break coming up. Why don't
17 you supply that information to Ms. Gardner who can
18 review it over the lunch break and supply it to
19 Staff as well, and we'll take this matter up when
20 we reconvene after lunch.

21 MS. GARDNER: Are we being supplied with
22 just the summary sheet with just the rates or the
23 entire agreement?

24 MS. SWALLER: I have Attachment C, the
25 entire agreement is -- I can give you a copy to

1 complete copy of the merger agreement and that
2 includes a copy of the Exhibit C or Attachment C to
3 that document that was referenced in the discussion
4 with Chair Lumpe, but that's the extent of it.

5 JUDGE THOMPSON: Okay. And do you have
6 any change in your objection, or do you stand on
7 your objection?

8 MS. GARDNER: No. I think I would still
9 have an objection to it. If it is going to go in,
10 then I would have a couple of questions for
11 Mr. Deere. Nothing too long, but a few questions
12 anyway.

13 MS. BAKER: I apologize. I was playing
14 with my toys.

15 JUDGE THOMPSON: That's quite all right.
16 Do you have the requested exhibit?

17 MS. SWALLER: Yes, your Honor, I do.

18 JUDGE THOMPSON: Why don't we go ahead and
19 mark that as Exhibit 12.

20 (EXHIBIT NO. 12 WAS MARKED FOR
21 IDENTIFICATION BY THE REPORTER.)

22 JUDGE THOMPSON: I'm going to receive
23 Exhibit No. 12 over the objection of Sprint.

24 (EXHIBIT NO. 12 WAS RECEIVED INTO EVIDENCE
25 AND MADE A PART OF THE RECORD.)

1 JUDGE THOMPSON: Now, Ms. Swaller, is
2 there any sort of foundation that you need to lay
3 with respect to this with Mr. Deere?

4 MS. GARDNER: I'll waive a foundation.
5 I'm not going to object on foundation.

6 JUDGE THOMPSON: Well, then why don't we
7 have Mr. Deere retake the stand and you go ahead
8 and cross-examine him with respect to that.

9 Staff, do you have any cross-examination
10 with respect to this exhibit?

11 MS. BAKER: Not based on this exhibit, no.

12 JUDGE THOMPSON: Okay. Thank you.

13 Go ahead, Ms. Gardner.

14 MS. GARDNER: Thank you.

15 FURTHER RECROSS-EXAMINATION BY MS. GARDNER:

16 Q. Mr. Deere, as I understand it, Exhibit 12
17 is Attachment C to a much larger document. Let's
18 see if I can find a title on it. Proposed
19 Conditions for FCC Order Approving SBC/Ameritech
20 merger; is that correct?

21 A. Yes, ma'am.

22 Q. Was that document drafted by
23 SBC/Ameritech, or who was it drafted by?

24 A. It was a joint effort by the staff of the
25 FCC and representatives from SBC and from

1 Ameritech.

2 Q. And have the commissioners, FCC
3 commissioners, have they approved this document?

4 A. Not yet. They have put it out for
5 comments for two weeks, I believe, and then they
6 will review it and go over it.

7 Q. And that would be comments from people
8 like Sprint or anybody else that wasn't a party to
9 the negotiations?

10 A. Correct.

11 Q. And the 12 weeks of discussion, as I
12 understand it, that's between SBC/Ameritech and the
13 FCC staff and that was -- that was all involved in
14 those discussions?

15 A. My understanding is that the FCC staff did
16 have ex parte from some other people, but I don't
17 know who they were.

18 Q. Were those other people involved in the
19 discussions that --

20 A. Not that I'm aware of.

21 Q. Okay. Before the FCC when things are set
22 out for comment, does the FCC frequently change
23 positions or changed filings based on public
24 comments?

25 A. My opinion is they said, This is our

1 tentative conclusion. It tends to end up that way.

2 Q. Do they make changes?

3 A. Sometimes.

4 Q. And would you expect that in this case
5 that there will be a lot of comment?

6 A. I have no way of judging that, but I would
7 expect so.

8 Q. And during these 12 weeks of discussions,
9 would you view that as basically negotiations that
10 took place between SBC/Ameritech and the FCC
11 staff?

12 A. To an extent, yes.

13 Q. And in negotiations is it typical for some
14 parties to get things they want and give up some
15 things that they -- they are willing to give up to
16 get something else? I mean, there's a lot of give
17 and take in negotiations, isn't there?

18 A. In normal business negotiations, yes. But
19 when you've got one party with considerable power
20 such as the FCC, it doesn't always work that way.

21 Q. The FCC staff in those cases?

22 A. Yes.

23 Q. Did you get everything you wanted in this?

24 A. No.

25 Q. Did you give up some things to get some

1 things you wanted?

2 A. I'm sure we did.

3 Q. The rates on Attachment C, would you
4 expect those to be filed as retail charges to your
5 retail customers?

6 A. No.

7 Q. Those are only going to be used where, in
8 interconnection agreements?

9 A. That's my understanding of them. We
10 already have a federal tariff that has the charges,
11 has similar charges in them.

12 Q. That's the \$900 one that we've talked
13 about a little bit earlier?

14 A. Yes.

15 Q. So these rates would not -- would they be
16 filed at the FCC?

17 A. They are set out in the document as being
18 interim rates until there is a cost study, and it's
19 done in the states.

20 Q. Okay. And those would be the cost study
21 similar to this proceeding?

22 A. Yes.

23 Q. So the FCC commissioners have not approved
24 these rates and they haven't approved the cost
25 studies underlying these rates, have they?

1 A. No. What I take it that the FCC staff has
2 approved is the concept of charging for the
3 conditioning.

4 Q. But not the rates?

5 A. They applied these at interim rates.

6 Q. And the FCC, the commissioners at this
7 point haven't approved either one, have they?

8 A. That's correct.

9 MS. GARDNER: That's all I have. Thank
10 you.

11 JUDGE THOMPSON: Thank you.

12 Questions from the Bench, Chair Lumpe?

13 CHAIR LUMPE: No questions.

14 JUDGE THOMPSON: Commissioner Murray?

15 COMMISSIONER MURRAY: No questions. Thank
16 you.

17 THE WITNESS: Could I clarify something
18 that Chair Lumpe asked me earlier that I may have
19 mixed a couple of things. You asked me about the
20 discount on loops. Could I clarify, because I
21 think I may have given you somewhat of a wrong
22 direction on that?

23 JUDGE THOMPSON: Proceed.

24 THE WITNESS: The discount -- there is a
25 discount on UNE loops for residence services and 25

1 percent off the lowest rate approved by the State
2 Commission. There is no discount on the advanced
3 services loops. Although, there is a special
4 provision for line sharing that gives a special
5 rate for that. So that's the -- I had mixed the
6 two a little bit I think in my description to you
7 before. I wanted to clear that up.

8 JUDGE THOMPSON: Thank you.

9 THE WITNESS: Okay.

10 JUDGE THOMPSON: Redirect?

11 MS. SWALLER: No, your Honor.

12 JUDGE THOMPSON: Thank you. You may step
13 down, sir.

14 (WITNESS EXCUSED.)

15 JUDGE THOMPSON: Call your next witness,
16 please.

17 MS. SWALLER: I call Mr. Hearst to the
18 stand.

19 Your Honor, may Mr. Deere be excused from
20 the hearing?

21 JUDGE THOMPSON: As far as I'm concerned.
22 Anyone else need Mr. Deere?

23 You're excused, sir.

24 THE WITNESS: Thank you.

25 JUDGE THOMPSON: State your name and spell

CERTIFICATE OF SERVICE

I, Catherine M. DeAngelis, do hereby certify that on this 19th day of July 1999, copies of the attached Comments of Sprint Communications Company L.P. filed today with the FCC in CC Docket No. 98-141 were served by first class mail, postage prepaid, or hand delivered as indicated, on the following parties:

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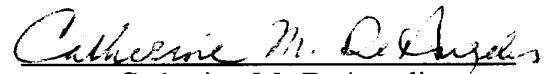
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